



Construction Program Procedure Bulletin

CPB 02-2 Arbitration Payment Process

References: None

Effective Date: November 1, 2002

Approved:

A handwritten signature in black ink, appearing to read 'Robert Pieplow', written over a horizontal line.

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Chief, Division of Construction

Approval Date: October 2, 2002

Background

The Headquarters Legal and Construction Divisions jointly manage construction contract arbitration cases. The Office of Contract Management (OCM) of the Division of Construction is responsible for promptly paying construction contract arbitration awards or settlements after receiving an approved "Request for Arbitration Award/Settlement Approval" memo. The timeliness of payment is critical because delayed payments accrue interest. To minimize these costs, the OCM works closely with the Legal Division, the districts, the Office of Construction Practices of the the Division of Construction (OCP), and the Division of Accounting.

Insufficient contract funds are the primary cause of delayed payments because additional funds must be obtained through the G-11 or G-12 process, or by a California Transportation Commission supplemental vote, before payments can be issued.

Existing Process

The existing process for arbitration payments has not been well documented nor communicated.

New Process

The district construction deputy director must designate the supervisor responsible for issuing progress payments as the district point-of-contact for the Headquarters arbitration specialist. Process arbitration payments as follows:

1. After receiving the approved "Request" memo and the release agreement from the office assistant for the chief, Division of Construction, the Headquarters arbitration specialist investigates the availability of funding by contacting the district and the Headquarters Division of Accounting, Highway Appropriation Management Section. **1-2 working day(s)**

If funds are insufficient, go to step 2 after requesting additional funds as follows:

Insufficient Funds - The Headquarters arbitration specialist informs the district point-of-contact to request additional funds in accordance with Section 5-203, "Obtaining Additional Funds", of the Construction Manual. The Headquarters arbitration specialist provides the district point-of-contact with support documentation for the additional funds request. **1–2 working day(s)**

When the requested funds have been approved and transferred into the contract, the district point-of-contact informs the Headquarters arbitration specialist that the funds are available. **20–25 working days for a G-11 or G-12 funds request approval; 30–40 working days for a California Transportation Commission supplemental funds vote**

2. The Headquarters arbitration specialist issues and approves the arbitration payment contract change order (CCO) based on the terms in the approved "Request" memo from the Legal Division. **1–2 working day(s)**
3. The Headquarters arbitration specialist faxes the arbitration payment CCO and the CCO telecopy to the district point-of-contact. **1–2 working day(s)**
4. The district point-of-contact enters the CCO and the extra-work bill into the progress payment system and runs and flags the estimate. The point-of-contact informs the OCP progress payment administrator when this work is complete. **2–3 working days**
5. The OCP progress payment administrator completes the progress payment schedule (which consists of the estimate run, the voucher, and other required documents), forwards it for payment to the senior accounting officer specialist at Headquarters Division of Accounting, Highway Appropriation Management Section, and informs the Headquarters arbitration specialist that the progress payment has been forwarded. **1–2 working day(s)**
6. Based on instructions from the Legal Division, the Headquarters arbitration specialist e-mails the following payment information to the accounting specialist: **1–2 working day(s)**
 - payee name
 - payee's mailing address
 - method of mailing
7. The accounting specialist processes the payment and requests issuance of a check from the State Controller's Office. After receiving the check, the accounting specialist mails the check in accordance with the instructions from the Headquarters arbitration specialist and faxes a copy of the check to the Headquarters arbitration specialist for the project records. **5–7 working days**

8. After receiving a copy of the check, the Headquarters arbitration specialist enters the information into the arbitration tracking system database and sends an e-mail indicating the process is completed to the following:
 - district construction deputy director
 - claims engineer
 - construction coordinator
 - contract reviewer
 - construction engineer
 - project manager
 - chief, OCM
 - Legal Division, Assistant Chief Counsel, Contract Law
 - Legal Division, Attorney assigned to the case
 - Legal Division, Engineering Support